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IN THE

Supreme Court of the United States

No. 882 October Term—1958

MORGENSTERN CHEMICAL COMPANY, INC.,
Petitioner,

vs.

G. D. SEARLE & COMPANY,
Respondent.

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

SHANLEY & FISHER,
Attorneys for Respondent,
744 Broad Street,
Newark 2, New Jersey.

BERNARD M. SHANLEY,
Of Counsel.

Adams Press Corp., 11 Commerce Street, Newark, N. J.—Market 3-8611-12

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Counter-Statement of Questions Presented

I. Should this Court now grant a writ of certiorari, when, earlier in this term, same was denied as to identical questions of law?

II. Was the Court of Appeals not correct in its two holdings that the equities would be fully satisfied by awarding petitioner an injunction but denying it an accounting, damages and counsel fees?

III. Is there not lacking a conflict of decisions between the courts of appeals concerning the right to damages and counsel fees under the circumstances present here?

Counter-Statement

This Court on October 13, 1958, denied the petitioner's petition (First Petition) for a writ of certiorari. 358 U. S. 816 (1958). That petition (No. 89), filed this term, sought review of the very same questions now presented by this petition (Second Petition).*

The First Petition arose from the following circumstances:

The district court having entered judgment dismissing petitioner's complaint, on appeal the Court of Appeals reversed. Its judgment directed entry of an injunction but denied an accounting (First Petition, p. 37).

Petitioner at once filed a motion in the Court of Appeals to amend said judgment so as to provide for exemplary damages and counsel fees (10b, *et seq.*). This motion was denied (22b) and thereafter mandate issued to the district court to enter an injunction but to deny an accounting of profits (23b).

Notwithstanding the denial of its motion to amend the judgment of the Court of Appeals, petitioner, following issuance of the aforesaid mandate, sought the same relief from the district court as had been sought in said motion, specifically, grant of exemplary damages and counsel fees (First Petition, pp. 10-11; and see pp. 17-18 of Respond-

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* Throughout this Brief references to the record will be:

Pages in the First and Second Petitions for Writ of Certiorari will be designated either (First Petition, p. . .) or (Second Petition, p. . .).

Pages in the Petitioner's Appendix filed in the Court of Appeals and certified in this Court will be designated (. .a).

Pages in this Respondent's Appendix filed in the Court of Appeals and certified in this Court will be designated (. .b).

ent's Brief in opposition to First Petition, No. 89 on this Court's docket).

The district court denied the requested extraordinary relief (First Petition, p. 10) while granting an injunction with costs (24b, *et seq.*); and petitioner filed a Notice of Appeal from said denial (10a). This appeal from the district court's denial of exemplary damages and counsel fees was followed almost immediately by filing of the First Petition for writ of certiorari (No. 89 on this Court's docket) which sought review of the Court of Appeals' denial of an accounting of profits and of that Court's refusal to amend its judgment to give petitioner exemplary damages and counsel fees (27b). Following filing of said petition, proceedings in the Court of Appeals were stayed.

The First Petition was denied on October 13, 1958 (358 U. S. 816).

Thereafter, the stay was vacated in the Court of Appeals and that court proceeded to hear once again petitioner's claim for exemplary damages and counsel fees. Again, said claim was denied, by judgment entered February 6, 1959 (Second Petition, p. 12). This Second Petition is from that denial.

ARGUMENT

POINT I

The questions raised by this petition have been the subject of an earlier petition, denied on October 13, 1958.

That the issues presented by this petition duplicate those raised by Petition No. 89, denied October 13, 1958, is recognized by petitioner (Second Petition, p. 5). Excuse is sought in the argument that the First Petition was "pre-

mature" (Second Petition, p. 5) and, additionally, sought review of the Court of Appeals' denial of its motion for inclusion in the judgment of exemplary damages and counsel fees "only on the hypothesis that if review were granted of the denial of an accounting, all other questions of appropriate monetary relief should be reviewed at the same time." (Second Petition, p. 5)

For guidance here, we look to the First Petition (p. 13fn.), where petitioner stated:

> "• • • [R]eview of the judgment of the Court of Appeals, it is submitted, properly encompasses the review of the disallowance of exemplary damages. Under all the circumstances, it is respectfully submitted further that the review here, if granted, should include also the disallowance of attorney's fees."

Under these circumstances, petitioner has had review twice in the Court of Appeals of its claims for exemplary damages and counsel fees, with the first determination further having been the subject of petition to this Court for writ of certiorari, which petition was denied. In all fairness, therefore, and in the interest of orderly administration of justice, this Second Petition should be denied.

POINT II

The Court of Appeals having held on the petitioner's first appeal that under the equities of the case the petitioner had no right to exemplary damages or counsel fees, that court after reviewing the record a second time, properly affirmed the district court's denial of those extraordinary remedies.

In its first opinion and judgment in this case, the Court of Appeals enjoined the respondent's use of the name "Mictine," stating (First Petition, p. 36):

"• • • If there is *any possibility* of • • • *confusion* in the case of medicines *public policy* requires that the use of the confusing similar name be enjoined • • •." (Emphasis supplied.)

The following additional excerpt from the first opinion of the Court below also demonstrates the rationale of its opinion (Second Petition, p. 16):

"• • • In a suit to enjoin the use of a trade-name, as distinguished from an action for the recovery of damages or profits from its use, it may be equitable as well as in the public interest, under particular circumstances, to enjoin the defendant from using his trade-name although it is not applied to a product which is similar to that to which the plaintiff's name is applied, and even though the defendant does not seek to induce purchasers to buy his goods instead of those of the plaintiff."

Further review of said opinion and the findings of fact in the district court demonstrate additionally why the Court of Appeals, acting within its discretion, decided that the equities of the case demanded no more than that an injunction be entered against the respondent (Second Petition, p. 19):

"It does not follow that because a trademark owner is entitled to an injunction to prevent future infringement he is ipso facto entitled to an accounting of profits. [citations omitted. They are printed at p. 19 of the Second Petition.] An accounting will be denied where an injunction will satisfy the equities of the case. *Champion Plug Co.* v. *Sanders*, 1947, 331 U. S. 125, 131. Upon consideration of the facts of the present case we are clear that the district court did not err in denying an accounting and that the equities will

be fully satisfied by the granting of an injunction against future use of the name Mictine by the defendant."

Petitioner would have this Court believe that the "equities" consisted only of the fact that the two products were non-competitive and for different ailments, and that there was no "palming off" (Second Petition, pp. 2-3).

An examination of the record, however, indicates that the "equities" weighed by the Court of Appeals are far more comprehensive than this. See, for example, the findings of the district court concerning petitioner's destruction of sales records prior to 1955; its total sales figures of $83.92 and $58.37 for 1955 and 1956, respectively; its complete abandonment of promotion of it product in early 1953 (over a year before respondent conceived of the name "Mictine" and almost two years before respondent's first sales under the name "Mictine"); and the obvious differences in design and packaging which would make it clear that there was no "palming off" (First Petition, pp. 18-22).

There is, moreover, completely lacking any contention by petitioner that it lost even one dollar of sales as a result of respondent's use of the word "Mictine." Furthermore, petitioner concedes that respondent never attempted to mislead or confuse the public into thinking that "Mictine" was in fact petitioner's product, "Micturin" (35b).

Finally, there is absolutely no evidence in the record that respondent's sales were in whole or in part made not through the intrinsic worth of its product but rather through the sound or suggestiveness of the name "Mictine." In fact, there is ample evidence to the contrary (290b, 294b, 295b, 336b, 417b, 418b, 419b, 432b).

Having thus examined into the equities of the matter, and having granted an injunction, the Court of Appeals

properly denied the petitioner's motion for punitive damages and counsel fees. This Court, too, correctly refused to issue a writ of certiorari to review that decision.

The required proof for an award of punitive damages is that there not only be fraud and palming off but also that it be particularly outrageous. In *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 116 F. 2d 708, 717, *cert. denied*, 296 U. S. 639 (1935), a trademark infringement case, which the petitioner relies upon (Second Petition, p. 8), the court noted that exemplary damages "* * * are not a favorite in law * * * and are, therefore, to be allowed only with caution and confined within narrow limits." Later, the same court in *Keller Products* v. *Rubber Linings Corp.*, 213 F. 2d 382 (C. A. 7, 1954), which the petitioner also relies upon (Second Petition, p. 8), refused to award exemplary damages to the plaintiff even though the defendant's packaging of its infringing product "Tub Cove" was designed substantially to imitate the plaintiff's package for its product "Tub Kove," even though there was direct competition between the two products, and even though the plaintiff proved that the defendant intended to palm off. The court stated (213 F. 2d 382, 387):

> "In a case of willful and wanton infringement the trial court has discretion to award punitive damages, but such damages should only be awarded in extreme cases, *Aladdin Mfg. Co.* v. *Mantle Lamp Co. of America*, 7 Cir. 116 F. 2d 708, 716; such damages 'are not a favorite in law,' Id., 116 F. 2d at page 717. See: *Post* v. *Buck's Stove & Range Co.*, 8 Cir., 200 F. 918, 43 L. R. A., N. S., 498. Here the validity of the mark 'Tub-Kove' and whether any secondary meaning had attached to that mark were close questions. That defendant had used entirely different colors on its package than plaintiff had used was a mitigating considera-

> tion. Although plaintiff is entitled to an injunction, as determined by the trial court, we think it an abuse of discretion to have allowed punitive damages, and the judgment will be modified by eliminating the allowance of $1,500 as punitive damages."

In the case at bar neither the district court nor the Court of Appeals found fraud or palming off on the part of the respondent, nor was there any proof whatsoever that the respondent willfully and wantonly infringed. Indeed, throughout this case the petitioner has conceded that the respondent never intended to nor did take advantage of any good will developed by the petitioner (34b, 35b).

The decision denying the petitioner counsel fees was also correct. In *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140 (C. A. 3, 1953), the court found a willful and deliberate use of the confusing name "Dixie Dew" on a product in direct competition with the plaintiff's product, "Dixie Belle," and the district court found that the defendant's conduct was calculated or likely to cause confusion, mistake or deception in the minds of the public. Yet, because there was not fraud by the defendant, the Court of Appeals refused to award counsel fees.

In six of the seven trademark opinions the petitioner relies upon to support its claim for counsel fees (Second Petition, p. 8), there were factors not present here. In one, *Aladdin Mfg. Co. v. Maytle Lamp Co.*, 116 F. 2d 708 (C. A. 7, 1941), *cert. denied*, 296 U. S. 639 (1935), there were facts supporting an award of exemplary damages and the defendant was guilty of willful and fraudulent conduct in the sense that the defendant intended to use the infringing name to cause harm to the plaintiff. In the five other cases, the courts awarded counsel fees because of the defendant's fraud and as part of the compensatory or exemplary damages awarded to the plaintiff. *National Van Lines v. Dean*,

237 F. 2d 688 (C. A. 9, 1956); *Keller Products v. Rubber Linings Corp.*, 213 F. 2d 382 (C. A. 7, 1954); *Admiral Corp. v. Penco, Inc.*, 203 F. 2d 517 (C. A. 2, 1953); *Youth Form Co. v. R. H. Macy, Inc.*, 153 F. Supp. 87 (D. C., N. D. Ga. 1957); *Leggett & Co. v. Premier Packing Co.*, 140 F. Supp. 328 (D. C., Mass. 1956). And in the remaining case the petitioner relies upon, *Reconstruction Finance Corporation v. J. G. Menihan Corp.*, 111 F. 2d 940 (C. A. 2, 1939) aff'd 312 U. S. 81 (1941), the court merely held that the district court had the power to allow "costs and an additional allowance," if it desired to exercise its discretion to do so.

In the case at bar, the Court of Appeals found that the facts did not entitle the petitioner to an accounting of profits and that the equities would be fully satisfied by the granting of an injunction. Moreover, the petitioner did not prove fraud or palming off by the respondent, and the petitioner clearly had no right to compensatory or exemplary damages. As a result, the Court of Appeals correctly decided that the petitioner had no right to counsel fees.

The district court, entering judgment in denying punitive damages and counsel fees, stated (Second Petition, p. 8a):

> "Upon the precedent of *Kansas City Southern Railway v. Guardian Trust Co.*, 281 U. S. 1, I have decided to deny plaintiff's application for the inclusion of counsel fees in its costs.
>
> "I construe the opinion of the Court of Appeals in this case, when interpreted in the light of the views expressed by that Court in *Century Distilling Co. v. Continental Distilling Corp.*, 205 F. 2d 140, as precluding the award of punitive damages to the plaintiff in this case."

The petitioner argues that the district court erred in that it decided it had no power to grant the remedies (Second Petition, p. 6).

As to counsel fees, whether the district court considered and disallowed them on the merits or because it deemed them to be excluded from the "costs" contained in the Court of Appeals' earlier mandate in view of the proceedings in that Court, they properly were denied.

As to the claim for punitive damages, we have heretofore argued that the Court of Appeals, under the petitioner's motion addressed to the judgment, had previously denied that remedy. It would appear, however, that the district court did not follow this theory. Instead, under its opinion, it embarked upon a consideration of the question *on the merits*—did the facts as found (by the district court and the Court of Appeals) considered in the light of the law as laid down by the Court of Appeals in this case and the *Century Distilling* case justify an award of damages?

Thus, there is no basis for arguing as the petitioner does that the district court decided it had no power.

POINT III

There is no conflict of decisions between the Court of Appeals for the Third Circuit Court and any other Court of Appeals.

The petitioner argues that the Court of Appeals' decision has "established a conflict among the circuits as to the proper application of this Court's decisions in respect to attorneys' fees and as to what is the proper rule in respect to exemplary damages" (Second Petition, p. 6). The thrust of the petitioner's argument is that the Court of

Appeals has decided that United States courts of equity have no power to award counsel fees, whereas the cases cited at pages 7-8 of its brief hold that there is such power.

But there is no support whatsoever in the record that the Court of Appeals in this Circuit has taken the view the petitioner attributes to it. As has already been discussed (pages 4, *et seq.*, *supra*), that court did consider the merits of the petitioner's demands, but after weighing the equities, decided not to award counsel fees. The decision was not that the court had no power to award them.

Nor has the Court of Appeals' decision not to award punitive damages caused any conflict of decision with any other courts of appeals. The two cases the petitioner cites at page 8 of its petition in an attempt to demonstrate a *conflict are in accord with the decision below as has* been discussed at pages 7 and 8, *supra*.

CONCLUSION

For the foregoing reasons, it is respectfully submitted that the petition for a writ of certiorari should be denied.

Respectfully submitted,

SHAXLEY & FISHER,
Attorneys for Respondent,
By BERNARD M. SHAXLEY, a partner.

BERNARD M. SHAXLEY,
Of Counsel.